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Information Reporting Requirements for Financial Institutions Under the Bank Match System, G.L. c. 62e

Introduction

Pursuant to Chapter 62E of the Massachusetts General Laws, the Commissioner of Revenue ("Commissioner") is authorized to implement and operate a wage reporting and bank match system and use it for certain purposes, including the administration of the tax laws and the child support enforcement program of the Commonwealth. See G.L. c. 62E, § 3. In connection with this grant of authority, the Commissioner may require banks, credit unions, and certain other financial institutions to provide information relating to accounts maintained by such institutions for residents of the Commonwealth and other persons subject to the tax and child support enforcement laws of the Commonwealth under G.L. chs. 62 and 119A, respectively. See generally, G.L. c. 62E, § 4. The purpose of this Directive is to prescribe the information to be provided and the reporting procedures to be followed by such financial institutions.

Issue 1:

Who is subject to information reporting requirements under the Bank Match System in G.L. c. 62E?

Directive 1:

The reporting requirements of this directive apply to every financial institution doing business or authorized to do business in the Commonwealth. For purposes of this Directive, the term "financial institution" includes every federal or state commercial or savings bank, including savings and loan associations and co-operative banks, federal or state chartered credit unions; benefit associations; insurance companies, safe deposit companies, any money-market mutual fund (i.e. every regulated investment company within the meaning of Internal Revenue Code § 851(a) that seeks to maintain a constant net asset value of one dollar in accordance with 17 CFR 270.2a-7), and any entity similar to the foregoing doing business or authorized to do business in the Commonwealth. Additionally, for purposes of this Directive, the term "financial institution" includes any broker, brokerage firm, trust company, and unit investment trust doing business or authorized to do business in the Commonwealth.

Issue 2:

What information must be submitted by financial institutions subject to the reporting requirements of this Directive?

Directive 2:

Each financial institution subject to the reporting requirements of this Directive must file information reports containing the name, record address, social security number and other identifying data for each person who maintains an account at the institution, in the manner described in Directive 3, below. G.L. c. 62E, § 4. Additionally, the Commissioner may request account balances with

respect to interest-bearing and non-interest bearing accounts for persons maintaining such accounts at the institution.

For purposes of this Directive, the term "account" means a demand deposit account, checking or negotiable withdrawal order account, savings account, time deposit account, or a money-market mutual fund account. G.L. c. 62E, § 4(e).

Issue 3:

What procedures must financial institutions follow in submitting the information required under the Bank Match System to the Commissioner?

Directive 3(a):

Election of Reporting Methods

By December 15 of each year, each financial institution subject to the reporting requirements of this Directive must file Form BMRS-1, "Bank Match Election Form," electing to utilize one of the reporting methods described below for the following calendar year. Form BMRS-1 must be filed with:

Massachusetts Department of Revenue
Magnetic Media Support Group
Bank Match Project
215 First Street – 4th floor
Cambridge, MA 02142

Directive 3(b):

Method 1: The "All Accounts" method

The "All Accounts" method of reporting requires each institution to submit an annual file listing each person maintaining an account at the institution to the Commissioner by April 30 of every calendar year. See G.L. c. 62E, § 4(d). This file must provide the name, record address, social security number and other identifying data of every person maintaining an account at the institution. Upon receipt of this file, the Commissioner will match the information against the files of persons whose tax or child support obligations are delinquent, or against the files of any other persons for whom the information is authorized under G.L. c. 62E. The Commissioner will maintain the confidentiality of this information and will use it solely for the purposes authorized therein. Refer to Directive 8, below, for further information.

Each institution electing the "All Accounts" method must also submit a supplemental report within 30 days of the end of each subsequent quarter of every calendar year, identifying the above information for each new account opened during the most recent quarter and each account reported in a prior quarter that has been closed during the most recent quarter.

Coordination of Bank Match System Reporting with Form 1099 Reporting Requirements

In order to facilitate Bank Match System reporting requirements, financial institutions electing to utilize the "All Accounts" method for reporting purposes under the Bank Match System also may elect to coordinate their current year Form 1099 information returns (e.g. the filing of 1994 information returns in calendar 1995) with their information returns required under the Bank Match System. In order to do so, such institutions must make certain modifications to their Form 1099 filing submissions. These modifications are set forth in specifications issued by the Commissioner. Financial institutions should consult the "Bank Match Specifications Handbook" for further information. Financial institutions that comply with these requirements must then submit data only on those accounts not included in their Form 1099 file by April 30th of each year, and provide quarterly updates thereafter.

A financial institution utilizing the "All Accounts" method that wishes to coordinate its annual Form 1099 information return filing with its Bank Match System return filing should complete the applicable section of Form BMRS-1 by December 15 of each year.

Directive 3(c):

Method 2: The "Matched Accounts" method

The "Matched Accounts" method of reporting allows financial institutions to receive, not more than quarterly, a magnetic media inquiry file ("inquiry file") from the Commissioner, requesting information on certain designated persons. The Commissioner will submit all inquiry files to the person designated by the institution on its Form BMRS-1.

Within 30 days of receipt of this inquiry file, each institution must match it against its own records and must furnish the information required in Method 1, above, with respect to all persons identified on the Commissioner's inquiry file. For purposes of this Directive, a "match" must be reported whenever the taxpayer identification number ("TIN") on the Commissioner's inquiry file exactly matches the taxpayer identification number ("TIN") for the owner of an open account on the financial institution's records. The Commissioner may also specify other criteria for reporting a "match."

Issue 4:

In what form must the information required by this Directive be submitted?

Directive 4:

Regardless of the reporting method used, each institution must submit the required information in machine readable form satisfactory to the Commissioner. G.L. c. 62E, § 4(c), (d). If the "Matched Accounts" method is chosen, the required information may be submitted on magnetic tape and/or cartridge in accordance with the specifications set forth by the Commissioner in

the "Bank Match Specifications Handbook." Financial institutions must return with their reports any and all magnetic tape and/or cartridges supplied by the Commissioner for purposes of obtaining the required information returns.

Issue 5:

Under what circumstances will extensions for filing the required information be granted?

Directive 5:

Every financial institution subject to the reporting requirements of this Directive may request in writing an extension of time to file the information required by this Directive. Extensions of time are not automatically granted and the reporting institution must demonstrate good cause for requesting the extension. An extension of time for filing the required information may be granted provided that the written request for extension is filed with the Commissioner by the date on which the reports are due. All requests for such extensions must be sent to the Massachusetts Department of Revenue, Magnetic Media Support Group, Bank Match Project, 215 First Street, 4th floor, Cambridge, MA 02142.

Issue 6:

What effect do the Bank Match System reporting requirements have on the existing requirement to file Form 1099 information returns on an annual basis?

Directive 6:

The reporting requirements under the Bank Match System in G.L. c. 62E are independent of, and in addition to, any other reporting requirements imposed by the tax and child support enforcement laws of Massachusetts. However, for purposes of fulfilling their reporting obligations under the Bank Match System, financial institutions electing the "All Accounts" method of reporting may coordinate their filings required under the Bank Match System with their Form 1099 filings by following the procedures outlined in Directive 3, above.

Issue 7:

What are a financial institution's obligations to protect the confidentiality of information received from the Commissioner under the Bank Match System?

Directive 7(a):

General Prohibitions on Disclosure of Information

Except as provided in Directive 7(c), below, financial institutions may not disclose any information contained in an information return or request for information by the Commissioner except to other authorized employees of the institution engaged in complying with the reporting requirements of this Directive, or to authorized employees of the Department of Revenue. Employees of the institution may use such information only as required in performing their duties for the Commissioner and may not otherwise copy, reproduce, retain or store any information ex-

cept as instructed in writing by the Commissioner. Furthermore, any documents, disks, magnetic media or other information acquired by institutions from the Commissioner will remain the property of the Department of Revenue and must be returned to the Commissioner at the time the information reports are due, or at any other time designated by the Commissioner.

Directive 7(b):

Prohibitions on Disclosure to Depositors or Account Holders

Unless otherwise required by G. L. c. 62E or other applicable law, a financial institution furnishing a report or providing information to the Commissioner is prohibited from disclosing to a depositor or an account holder that the name of such person has been received from or furnished to the Commissioner. However, a financial institution may disclose to its depositors or account holders that under the Bank Match System the Commissioner has the authority to request certain identifying information on certain depositors or account holders. If a financial institution willfully violates the provisions of this section, the institution is liable for the lesser of one thousand dollars or the amount on deposit or in the account of the person to whom such disclosure was made. See G.L. c. 62E, § 14.

A financial institution incurs no obligation or liability to a depositor or account holder or any other person arising from the furnishing of a report or information to the Commissioner, or from the failure to disclose to a depositor or account holder that the name of such person was included in a list furnished by the Commissioner or in a report furnished by the institution to the Commissioner. See G.L. c. 62E, § 14.

Directive 7(c):

Limited Disclosure to Custodial Agents of Records

Subject to the following conditions, a financial institution may be authorized to utilize a third party acting as a custodial agent of its records ("custodial agent"), such as a service bureau, for purposes of satisfying these reporting requirements. In order to do so, the financial institution must first notify the Commissioner in writing, requesting to utilize the services of a custodial agent for purposes of processing the information necessary to comply with the requirements of this Directive. Requests to utilize a custodial agent must be made by having both the institution and the custodial agent complete and sign the appropriate section on Form BMRS-2, "Designation of Agent for Information Reporting Under the Bank Match System." This form must be filed with Massachusetts Department of Revenue, Magnetic Media Support Group, Bank Match Project, 215 First Street, 4th floor, Cambridge, MA 02142.

If the Commissioner is satisfied that sufficient safeguards exist to protect the confidentiality of taxpayer information, the Commissioner will approve the use of the custodial agent for purposes of complying with this Directive and will send requests for information directly to the custodial agent. The custodial agent

will then remit the information directly to the Commissioner. A custodial agent receiving and submitting information reports on behalf of financial institutions under the Bank Match System is subject to the same terms, conditions, and confidentiality provisions that apply to such institutions, as set forth in this Directive.

Issue 8:

What are the Commissioner's obligations with respect to information received from financial institutions under the Bank Match System?

Directive 8:

The Commissioner must use information collected under the Bank Match System in connection with the Commissioner's responsibilities under G.L. c. 62E, to prevent fraud in financial assistance, benefits or loan programs administered by agencies including, but not limited to, the Department of Employment and Training, the Department of Industrial Accidents, the Department of Public Welfare, the Department of Veteran's Services and the Massachusetts Higher Education Assistance Corporation; to assist in locating absent parents; establishing, enforcing and modifying child support orders under G.L. c. 119A; and to further any other purpose permitted under G.L. c. 62E or G.L. c. 119A.

Unauthorized disclosure of information collected by the Commissioner under the Bank Match System by any employee or agent of the Commonwealth is a violation of G.L. c. 62E, § 8, and is punishable by a fine of \$100 per offense. The unauthorized release of information about any individual is a separate offense from information released about any other individual. Any unauthorized release of information by an employee or agent of the Commonwealth is also cause for administrative discipline of such employee or agent.

Issue 9:

Are financial institutions subject to any penalties for failure to comply with the information reporting requirements of this Directive?

Directive 9:

Yes. Any financial institution that is required to submit information reports pursuant to this Directive that fails, without reasonable cause, to comply with these reporting requirements after notification of such failure by certified mail, return receipt requested, is liable for a penalty of \$1,000 when such failure continues for more than 15 business days after mailing of notification of the failure to comply. Similarly, if an institution willfully renders false information in reply to such request, the institution is liable for a penalty of \$1,000. G.L. c. 62E, § 9.



Mitchell Adams
Commissioner of Revenue
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